

Transient Occupancy Tax Fund

M I S S I O N

T*o provide funding for Convention Facilities Operations and Maintenance, Cultural Grants, and the San José Convention and Visitors Bureau*

Beginning in 1982, the City Council initiated a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth is distributed by formula to three program categories: Convention Facilities Operations and Maintenance, (50% of the TOT increase), Cultural Grants (25% of the TOT increase) and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

	2005-2006 Adopted	2006-2007 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 4,752,535	\$ 5,826,245	22.6%
Cultural Grants	\$ 2,897,031	\$ 3,559,387	22.9%
San José Convention & Visitors Bureau	\$ 2,569,585	\$ 3,106,440	20.9%

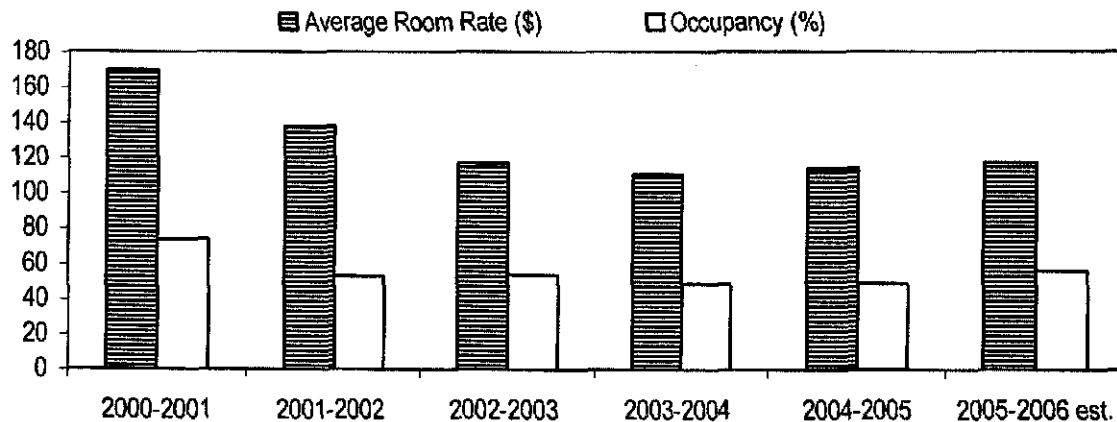
Budget Highlights 2006-2007

□ In 2006-2007, TOT revenues are expected to increase 7% from the estimated 2005-2006 collection level. This growth primarily reflects an anticipated increase in the average room rates and occupancy rates. The number of rentable rooms will remain relatively unchanged.

□ Given the higher than anticipated revenue growth in 2005-2006 and the 7% growth projected in 2006-2007, the allocations for the three recipient organizations are expected to increase 20-23% when compared to the 2005-2006 Adopted Budget.

Budget
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TOT Indicators: Room Rates and Occupancy



Transient Occupancy Tax Fund

Fund Overview

The 2006-2007 Adopted Budget for the City's Transient Occupancy Tax (TOT) Fund presumes a 7% growth over the level of revenue expected to be collected in 2005-2006. This increase reflects the impact of the continuation of a recovery from the recent years of declines in the travel industry. The extent of the fall and then the recovery in the travel industry and collection of this tax are best illustrated by a review of the recent history of this revenue source. From its peak in the year 2000-2001, due to combined impact of the recession and the events of 9/11, receipts fell 45% over three years. Growth resumed in 2004-2005 (13%) and receipts are projected to grow an additional 14% in 2005-2006. The 2006-2007 adopted growth rate of 7% reflects an expectation for continued growth, but at levels slightly lower than the last two years.

By ordinance, the TOT Fund is used to provide funding for Convention Facilities Operations and Maintenance, Cultural Grants,

and the San José Convention and Visitors Bureau (CVB).

As a result of the better than expected performance in revenue for 2005-2006 and projected growth in 2006-2007, an increase to the three recipients in 2006-2007 was approved. Additional 2005-2006 revenue collected through February totaling \$925,160 is being distributed in this budget to the three recipients. Additional revenue collected from March through June totaling \$1.02 million will be distributed in the Annual Report.

The 2006-2007 Adopted Cultural Grants Budget included a one-time rebudget of unexpended 2005-2006 grants in the amount of \$329,311.

The ending fund balance is made up of a reserve for encumbrances, a reserve for outstanding loans, and unrestricted fund balance.

Fund Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2005-2006 Estimate 3	2006-2007 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 469,473	\$ 1,717,543	\$ 2,077,514	\$ 2,388,624	39.1%
TOT Revenues	9,547,636	9,576,840	10,502,000	11,237,600	17.3%
Interest	38,921	50,000	50,000	50,000	0.0%
Total	\$ 10,056,030	\$ 11,344,383	\$ 12,629,514	\$ 13,676,224	20.6%
Dollars by Uses					
Convention Facilities Operations and Maintenance	\$ 3,813,083	\$ 4,752,535	\$ 4,922,103	\$ 5,826,245	22.6%
Cultural Grants	2,065,574	2,897,031	2,664,418	3,559,387	22.9%
SJ Convention/Visitors Bureau	2,099,859	2,569,585	2,654,369	3,106,440	20.9%
Ending Fund Balance	2,077,514	1,125,232	2,388,624	1,184,152	5.2%
Total	\$ 10,056,030	\$ 11,344,383	\$ 12,629,514	\$ 13,676,224	20.6%

Transient Occupancy Tax Fund

Budget Category: Convention Facilities Operations and Maintenance

Budget Category Overview

Convention Facilities Operation and Maintenance supports a portion of the administration, maintenance, and operations costs at the Convention Facilities operated by Team San José, which includes the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the

increment of growth in the TOT, appear in the Convention Facilities Department section of this document.

Approximately 47.9% of the total 2006-2007 TOT revenue is allocated to fund a portion of the operating expenses and maintenance at the Convention Facilities. According to the budget submitted by Team San José, approximately \$4.2 million of the \$5.8 million transfer in 2006-2007 will be required for subsidizing operations; the remaining \$1.5 million will be placed in the fund balance in the Convention and Cultural Affairs Fund.

Budget Category Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2005-2006 Estimate 3	2006-2007 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 3,813,083	\$ 4,752,535	\$ 4,922,103	\$ 5,826,245	22.6%
Total	\$ 3,813,083	\$ 4,752,535	\$ 4,922,103	\$ 5,826,245	22.6%

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Grants category (using criteria approved by the City Council). The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. Approximately 26.6% of the total 2006-2007 TOT revenue is allocated to fund Cultural Grants. Any unexpended

Cultural Grant funding will be rebudgeted for expenditure in the next fiscal year.

Detailed information for the 2006-2007 TOT Cultural Grants program awards are listed in this section to provide a picture of the City's Cultural Grants Program.

Budget Category Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2005-2006 Estimate 3	2006-2007 Adopted 4	% Change (2 to 4)
Cultural Grants	\$ 2,065,574	\$ 2,897,031	\$ 2,664,418	\$ 3,559,387	22.9%
Total	\$ 2,065,574	\$ 2,897,031	\$ 2,664,418	\$ 3,559,387	22.9%

Transient Occupancy Tax Fund

Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

Approximately 25.5% of the total 2006-2007 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the CVB to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document) and other sources such as San José businesses, restaurants, and hotels to provide similar services, which are not represented here.

Budget Category Summary

	2004-2005 Actual 1	2005-2006 Adopted 2	2005-2006 Estimate 3	2006-2007 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 2,099,859	\$ 2,569,585	\$ 2,654,369	\$ 3,106,440	20.9%
Total	\$ 2,099,859	\$ 2,569,585	\$ 2,654,369	\$ 3,106,440	20.9%

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations	Total Grant
Abhinaya Dance Company of San Jose	\$ 27,295
Afsaneh Art and Culture Society	4,500
American Musical Theatre of San Jose	246,389
Arab Film Festival	14,850
Association for Viet Arts	7,360
Aztlan Academy	18,000
Ballet San Jose Silicon Valley	171,253
Bark in the Park	12,755
Bay Area Glass Institute (BAGI)	17,956
Berryessa Art and Wine Festival	10,629
Cambodian Cultural Dance Group	3,195
CATS (Contemporary Asian Theater Scene)	18,000
Center for Literary Arts, SJSU	18,000
Chinese Performing Artists of America, San Jose	20,232
Christmas in the Park	35,000
Cinema San Pedro	6,909
Cinequest San Jose Film Festival	26,572
Cinequest, Inc.	54,017
City Lights Performance Group of San Jose	26,466
Dancin' Downtown	2,657
Dancin' on the Avenue	4,252
Dia de Portugal	6,000
Dimension Performing Arts, Inc.	16,200
Downtown Ice	31,887
El Festival Floricanto Ketzalcoatl	5,730
Evergreen Balvihar	5,535
Festival for Independence	36,138
Festival on the Alameda	1,594
Firebird Youth Chinese Orchestra	17,911
Founder's Day	3,189
Guitar Festival	3,189
Habib Khan Saraswati Temple and Gurukul	8,800
Hiyas Philippine Folk Dance Company	11,400
International Arts Festival	7,440
International Russian Music Piano Competition	18,000
Italian American Heritage Festival	6,500
Juneteenth Festival	5,000
Kaisahan of San Jose Dance Company	20,538
KTEH Foundation	18,000
La Comparsa for Dia de los Muertos	3,189
Luther Burbank Jamboree	3,000
Lyric Theatre, The Gilbert & Sullivan Society of San Jose	16,200
MACLA/Movimiento de Arte y Cultural Latino Americana	43,606
Margaret Wingrove Dance Company of San Jose	16,200
Mexican Heritage Corporation	71,728
Mission Chamber Orchestra	17,500

Transient Occupancy Tax Fund

Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations (Cont'd.)	Total Grant
Music in the Other Park	\$ 9,427
Music in the Park	20,362
Northside Theatre Council	8,923
Opera San Jose, Inc.	157,850
Poetry Center San Jose	13,550
Pumpkins in the Park	10,097
Rainbow Women's Chorus	4,050
Renegade Theatre Experiment	5,400
San Jose Chamber Music Society	18,000
San Jose Chamber Orchestra	19,707
San Jose Children's Discovery Museum	104,950
San Jose Children's Musical Theater	90,433
San Jose Dance Theatre	16,200
San Jose Gay Pride Parade and Festival	5,846
San Jose Institute of Contemporary Art	47,141
San Jose International Mariachi Festival	20,194
San Jose Jazz Festival	37,918
San Jose Jazz Society	71,116
San Jose Jewish Film Festival	16,200
San Jose Multicultural Artists Guild	18,922
San Jose Museum of Art Association	184,831
San Jose Museum of Quilts and Textiles	34,766
San Jose Repertory Theatre	171,032
San Jose Symphonic Choir	9,150
San Jose Taiko Group, Inc.	36,426
San Jose Youth Symphony	42,264
Shri Krupa Dance Company	16,200
Silicon Valley Children's Fund	17,000
sjDanceCo	4,400
SoFA Music After Dark	5,500
South Bay Guitar Society	16,200
Special Events Programming Comm., Associated Students of SJSU	14,000
Spring in Guadalupe Gardens	10,000
Steinway Society the Bay Area	13,798
Sunday Concert Series	11,692
Symphony Silicon Valley	16,200
Tapestry Arts Festival	31,887
Tapestry Arts San Jose, Inc.	49,211
Teatro Vision de San Jose	40,760
The Flamenco Society of Northern California in San Jose	3,866
Veterans Day Parade	4,252
Vietnamese Tet Festival	1,435
Visual Rhythm Dance Company	13,440
Vivace Youth Chorus of San Jose	16,200
Wildlife Festival	4,000

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Budget Category: Cultural Grants

Budget Category Overview (Cont'd.)

Cultural Grants Allocations (Cont'd.)	Total Grant
Winchester Orchestra of San Jose	12,600
Works/San Jose	10,534
Young Audiences of Northern California	9,000
Program Management	123,055
Unallocated/Reserves	798,640
TOTAL	\$ 3,559,387